

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2013-201-WS

In Re: Application of Utilities Services of)		
South Carolina, Inc. for Adjustment)		REBUTTAL TESTIMONY
of Rates and Charges and)		OF
Modifications to Certain Terms and)		PATRICK C. FLYNN
Conditions for the Provision of Water)		
and Sewer Service)		

1 **Q. ARE YOU THE SAME PATRICK FLYNN THAT HAS PRE-FILED DIRECT**
2 **TESTIMONY IN THIS CASE?**

3 **A. Yes, I am.**

4 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**
5 **PROCEEDING?**

6 **A. The purpose of my rebuttal testimony is to respond on behalf of Utilities Services of South**
7 **Carolina, Inc., (USSC) to the testimony of ORS witness Willie J. Morgan and to the USSC**
8 **customers who testified at public hearings held on October 1 and October 3, 2013 in this docket.**

9 **Q. DO YOU AGREE WITH ORS WITNESS MORGAN'S TESTIMONY THAT USSC**
10 **FAILED TO GIVE THE REQUIRED NOTICE OF A CHANGE IN BULK WATER**
11 **RATES TO OF USSC'S CUSTOMERS IN CALHOUN ACRES?**

12 **A. No. Mr. Morgan's Exhibit WJM-6 identifies the water rates set by Sandy Springs that were**
13 **effective as of January 1, 2013 for its non-bulk water customers. The referenced tariff sheet is not**
14 **applicable to the purchase and delivery of bulk water to USSC's Calhoun Acres water system.**

1 USSC customers in Sandy Springs' pay a bulk water rate that is based on a markup of 10% over
2 the actual cost of water produced by the Anderson Joint Regional Water System, the source of
3 Sandy Springs' water supply. Consequently, the rate used by Sandy Springs to compute the
4 monthly Calhoun Acres bulk water bill each month may vary from month to month due to the
5 variance in the cost of water that Anderson Joint Regional charges Sandy Springs. Therefore,
6 USSC is not required to provide notice to its Calhoun Acres customers. The bulk water bill is
7 passed through to the customers as described in the existing USSC tariff.

8 **Q. WHAT IS USSC'S RESPONSE TO THE ORS'S RECOMMENDATION REGARDING**
9 **THE COMPANY'S PROPOSED TAMPERING CHARGE?**

10 A. The ORS has proposed that the company be allowed to recover the actual cost of repairing
11 equipment, water mains, water lines, sewage pipes, elder valves, meters, curb stops, service lines,
12 valves or other facilities, damaged or tampered with by a customer, up to a maximum charge of
13 \$250. USSC does not object to this proposal. USSC would point out to the Commission that,
14 under this modification, the company would continue to recover the cost of repairing or replacing
15 metering equipment damaged by tampering without limitation according to S.C. Code Reg.
16 103-733.5(d).

17 **Q. WHAT IS THE COMPANY'S RESPONSE TO THE ORS'S OBJECTION TO ITS**
18 **PROPOSED LEAK MITIGATION PROGRAM?**

19 A. The purpose of the leak mitigation program is to offer customers who experience water leaks
20 in their lines some relief from unexpected high water bills. USSC has never had such a program
21 in place, so the exact amount required to operate the program is unknown. Therefore, the Company
22 proposes 0.25% of its water service revenues as a starting point, which could be adjusted in

1 subsequent rate cases based on experience. In USSC's case, this amount would be approximately
2 \$12,000 per year based on the revenues requested in its application. The program could provide an
3 effective way of avoiding unnecessary regulatory expenses caused by customers filing complaints
4 in an effort to seek relief from a high bill caused by a leak on their premises. The proposed Leak
5 Mitigation Program offers a mechanism by which funds collected under this program would be
6 posted to a segregated account and then applied on a case by case basis to customer accounts in
7 order to reduce the balance due from customers who experience a water leak on their property or
8 otherwise incur an unexpected high water bill. In the current circumstance, where there is no such
9 program in place, requests for such relief made to USSC, if granted, would only exacerbate the
10 utility's cost of operating its system. But if a nominal amount was collected each month from
11 USSC's customers, the customers would be able to gain some relief from an unexpected one-time
12 event by the sharing of risk among the customer base.

13 A possible approach to the implementation of this program could include the following
14 attributes:

- 15 • Funding of the Leak Mitigation Fund would be identified as a separate line item on
16 each water customer's monthly bill;
- 17 • Requests for relief from the fund would be limited to no more than once in any five
18 year period by a USSC customer at a specific premises;
- 19 • Funds would only be applied to a customer's water bill and not to any sewer bill;
- 20 • The maximum amount of relief applied to a specific customer's bill would be the
21 lesser of: 1) the difference between the current water bill and the applicant's annual
22 average water bill, or 2) \$250.00;

- The fund balance must not be less than \$250.00;

Q. CAN YOU PROVIDE A RESPONSE TO THE COMMENTS MADE BY CUSTOMERS AT THE OCTOBER 1, 2013 NIGHT HEARING IN REGARD TO THE QUALITY OF SERVICE PROVIDED TO USSC'S WATER CUSTOMERS IN ANDERSON COUNTY?

A. Yes. Please note the following comments:

- Michael Bratcher, a Calhoun Acres customer, noted that he experiences varying water pressure. This is due to swings in water pressure produced by Sandy Springs Water District. The planned installation of a pressure control valve (PCV) at the point of connection between the two distribution systems was delayed in order to obtain a necessary utility easement and to allow a discussion with Sandy Springs regarding the possible purchase of the Calhoun Acres system, which ultimately did not come to fruition. USSC will complete the installation of the PCV by December 31, 2013.
- Melanie Wilson indicated that she had not observed capital improvements being made in the Lakewood system or seen any flushing activity. It is true that no large capital projects were completed in this system recently. As in all systems, capital improvements are made when found to be prudent and necessary in order to provide water service to our customers. In response to her comment that no flushing occurred in her community, the Lakewood system was flushed in December 2012 following the completion of repairs to a water main.
- Larry McAlister, a Clearview customer, indicated that he experiences low pressure

1 conditions at his home. He asked that USSC provide him with the results from a
2 pressure recorder that was used by the company in August to monitor changes in
3 pressure at his premise. The data were provided to Mr. McAlister last week. The
4 water pressure in Clearview ranges from 35 to 54 psi with an occasional
5 momentary dip to 29 psi, All measurements fall within the range of 25-125 psi
6 established by the Commission in S.C. Code Reg. 103-774A. Clearview's water
7 is supplied by West Anderson Water District.

- 8 • James Deaton, located in the Fieldcrest subdivision, indicated that sometimes the
9 water has a strong chlorine smell. The chlorine feed rate at the Fieldcrest well is
10 checked daily throughout the work week to insure that the proper amount of
11 chlorine is added to the source water to disinfect the water supply. The chlorine
12 residual at the Fieldcrest system is routinely less than 1.5 mg/L, which is not
13 abnormally high and below the 4 mg/L maximum allowed by DHEC rule.
- 14 • Clifton Wickiser, a Normandy subdivision resident, indicated that USSC was
15 unwilling to adjust his water bill following two separate incidents of water lost after
16 he experienced pipe or plumbing failures in the house plumbing. A review of his
17 account indicates that no adjustment was warranted because the leaks were not in
18 USSC's lines. However, these two incidents are examples of how a Leak
19 Mitigation Fund would provide the customer with some relief from a high water
20 bill caused by a pipe failure on the customer's side of the meter.
- 21 • Ken Cheek, also a Lakewood resident, noted that the meter reader had removed dirt
22 from the meter box and deposited it on his adjacent flowers, and that mud entered

1 his meter box due to a damaged box. He indicated that USSC replaced the meter
2 box. Mr. Cheek contacted USSC on July 11, 2013. Two USSC operators responded
3 to his call the same day, removed the mud from the plants near the meter box, and
4 replaced the meter box at finished grade while Mr. Cheek observed the work. He
5 expressed satisfaction with their effort and timely response.

6 **Q. CAN YOU PROVIDE A RESPONSE TO THE COMMENTS MADE BY**
7 **CUSTOMERS AT THE OCTOBER 3, 2013 NIGHT HEARING IN REGARD TO THE**
8 **QUALITY OF SERVICE PROVIDED TO USSC'S WATER CUSTOMERS IN YORK**
9 **COUNTY?**

10 **A. Yes:**

- 11 • Richard Shotwell, a Shandon resident, was concerned that USSC's replacement of
12 the original hydropneumatic tank with one of a larger size was unnecessary and
13 excessive. The 6,000-gallon in-ground tank was replaced in 2012 with a
14 10,000-gallon tank. The larger tank offers the means to store a larger volume of
15 finished water prior to delivery to the customers, and opting for the larger tank has
16 had no material impact to the cost of operating the water system. Mr. Shotwell also
17 indicated that at times the chlorine residual is excessive; he experiences a skin
18 reaction at times when he comes in contact with the chlorine in the water. USSC
19 personnel routinely check the chlorine residual in the system and adjust the feed
20 rate in order to insure that proper disinfection occurs and that the chlorine
21 concentration in the distribution system is less than 4 mg/L, the maximum allowed
22 by DHEC rule. Mr. Shotwell had not previously registered a complaint regarding

1 chlorine levels. USSC personnel will initiate an analysis of the chemical feed
2 equipment at the Shandon wells to make sure that chemical use is optimized while
3 also meeting minimum disinfection requirements.

- 4 • Gregory Bridge, also a Shandon customer, indicated his concern that the age of the
5 sewer mains in the collection system should be replaced, not repaired, whenever a
6 section of pipe fails. He acknowledged the timely response by USSC staff when he
7 called to report a broken pipe in his back yard. USSC staff conducted a complete
8 inspection of the Shandon collection system in 2012 and found very few pipe
9 deficiencies, which indicates that the existing pipe material is still functional, not
10 allowing excessive amounts of inflow or infiltration to enter the system, and not yet
11 at the end of its service life. Therefore, it would be imprudent to replace all of the
12 pipe material at this time.
- 13 • Gayl Scroggs, a Foxwood resident, expressed his pleasure with the recent switch to
14 York County Utilities as the bulk water source in place of the groundwater
15 produced from the Foxwood wells. However, he was concerned that the water
16 mains and pipes should be replaced under the assumption that they are rusty and
17 likely to fail or degrade water quality. The Foxwood distribution system is made up
18 of PVC pipe that does not corrode. The iron residue that historically colored the
19 Foxwood water has been flushed out of the system and should not be a source of
20 concern in the future. The York County water source does not contain elevated iron
21 levels. As a consequence, water quality has been much improved, and because
22 there is so little iron present in the new water source, iron deposits will not

1 accumulate in the mains as was the case before.

- 2 • Jimmy Massey, a Woodbridge customer, was concerned about the impact on the
3 Woodbridge water system of the “pooling” of USSC assets within a common rate
4 base. Specifically, he was concerned that all USSC residents would pay the same
5 rate but individual water systems would receive varying amounts of capital
6 improvements. Because USSC is made up of over 80 water systems, many of which
7 contain less than 100 customers, the pooling of resources and assets within one rate
8 base offers a means of mitigating the financial impact of any sizable capital project
9 on the individual customers. Mr. Massey mentioned that a vault containing a blow
10 off at the end of the street was damaged months ago after being run over by a truck,
11 and that after he reported this to USSC, timely repairs were not made. USSC
12 recently replaced the broken vault and reset it to finished grade. It now garners Mr.
13 Massey’s approval.

14 **Q. WHY DID USSC INCUR AN \$8,000 PENALTY IN FOXWOOD AND SHANDON?**

15 **A.**Consent Orders executed in 2012 for both the Foxwood and Shandon WWTP’s addressed
16 the inability of the existing oxidation ponds to meet their respective nutrient limits on a consistent
17 basis. In both cases, the Consent Orders provided USSC with the opportunity to conduct a pilot test
18 using chemical addition in order to determine if the two facilities could meet limits without
19 requiring treatment upgrades that would significantly increase capital and operating expenses. The
20 pilot studies were to end as of December 31, 2012 unless DHEC authorized a continuation of the
21 studies. A report detailing the results of each pilot study was due on January 31, 2013. Each was
22 submitted on time. However, in the event that the pilot studies showed that chemical addition

1 would not be successful in the plants meeting their water quality limits, the Consent Orders also
2 required that USSC submit Preliminary Engineering Reports (PER's) by January 31, 2013, the
3 same day that the pilot study report was due. DHEC declined USSC's timely request to extend the
4 pilot study. In addition, DHEC declined a request to allow USSC 30 days to submit a PER for each
5 plant even though it was evident to DHEC that it would have been imprudent for USSC to prepare
6 PER's for each facility upgrade at the same time that it was completing and submitting a pilot
7 study to DHEC for review. Consequently, DHEC levied an \$8,000 stipulated penalty in the case of
8 Foxwood and levied an \$8,000 suspended penalty in the case of Shandon. PER's were
9 subsequently submitted to DHEC on February 28, 2013, only 28 days after the original deadline,
10 followed by applications to construct the upgrades. Construction of the two plant upgrades will be
11 under way during the fourth quarter of 2013.

12 **Q. PLEASE RESPOND TO ORS WITNESS MORGAN'S TESTIMONY**
13 **REGARDING SUBMITTAL OF CONSENT ORDERS AND NOTICES OF VIOLATIONS**
14 **TO THE COMMISSION AND ORS.**

15 **A.** USSC agrees to promptly submit executed Consent Orders to the Commission and ORS in
16 the future.

17 **Q. PLEASE RESPOND TO ORS WITNESS MORGAN'S TESTIMONY**
18 **REGARDING THE LACK OF APPROVAL OF BULK WATER SERVICE BY THE PSC**
19 **IN CERTAIN WATER SYSTEMS.**

20 **A.** Mr. Morgan testified that water system interconnections were in use at Towncreek Acres,
21 Charleswood, Farrowood, and Indian Cove subdivisions. USSC has not requested approval of bulk
22 water agreements in Charleswood, Farrowood and Indian Cove because, in each case, the alternate

1 interconnection is used to supplement the water produced from USSC's wells, which have
2 remained in service. In contrast, USSC petitioned for and obtained PSC approval of bulk water
3 agreements in Purdy Shores and Foxwood in 2012 that reflect the complete reliance on the new
4 water source for all of the water supplied to the Purdy Shores and Foxwood customers.

5 **Q. MR. MORGAN RAISES A QUESTION ABOUT THE CAPITAL**
6 **IMPROVEMENTS MADE IN THE LAKEWOOD ESTATES SUBDIVISION. IS HE**
7 **CORRECT?**

8 **A.** My direct testimony was in error in identifying these expenditures as capital improvements
9 for USSC. As Mr. Morgan testified, USSC once served the Lakeview Estates subdivision on Lake
10 Murray, but it was transferred to Carolina Water Service several years ago. USSC continues to
11 serve a "Lakewood" subdivision in the upstate, hence my confusion.

12 **Q. PLEASE RESPOND TO MR. MORGAN'S TESTIMONY REGARDING ADDING**
13 **LANGUAGE THAT ADDRESSES MISCELLANEOUS FEES.**

14 **A.** USSC is in agreement with Mr. Morgan's suggested language found on Page 18 of 18 in
15 his direct testimony regarding late payment charges, electronic billing and electronic payment, and
16 construction standards.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 **A.** Yes it does.

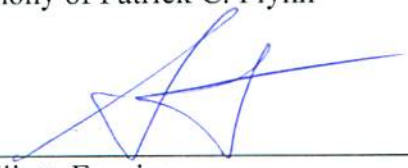
CERTIFICATE OF SERVICE

The undersigned, Scott Elliott, of Elliott & Elliott, P.A., does hereby certify that he has this date served the below-listed parties with a copy of the pleading(s) indicated below by electronically mailing a copy of same to each of the parties per the Stipulation of Electronic Service entered into by the parties on September 5, 2013:

Re: *Application of Utility Services of South Carolina, Inc. for Adjustment of Rates and Charges and Modification of Certain Terms and Conditions for the Provision of Water and Sewer Service*
Docket No. 2013-201-WS

PARTIES SERVED: Jeffrey M. Nelson, Esquire
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PLEADING: Rebuttal Testimony of Patrick C. Flynn



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October 16, 2013